



***Program Compliance Office
Cal Grant Program Review Report***

2003-04 Award Year

**Pepperdine University
Graduate School of Education & Psychology
Program Review ID#80501014914**

**6100 Center Drive
Los Angeles, CA 90045**

Program Review Dates:

May 17, 2005

Auditor:

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AUDITOR'S REPORT

SUMMARY We reviewed Pepperdine University Graduate School of Education and Psychology's administration of California Student Aid Commission (Commission) programs for the 2003-04 award year.

The institution's records disclosed the following deficiencies:

- Cal Grant Recipient Not Eligible for Award
- Cal Grant Recipient Overawarded Due to Insufficient Unmet Need
- Renewal Recipients' Cal Grant Unmet Needs Could Not be Reconstructed

BACKGROUND Through institution compliance reviews, the administration of Commission programs is evaluated to ensure program integrity with applicable laws, policies, contracts and institutional agreements as they pertain to the following grant programs administered by the Commission:

Cal Grants A, B and T

The following information, obtained from the institution and Commission database, is provided as background on the institution:

A. Institution

- Type of Organization: Private Institution of Higher Education
- President: Andrew K. Benton
- School Dean: Margaret Weber
- Accrediting Body: Western Association of Schools & Colleges
- Size of Student Body: 1,760

B. Institutional Persons Contacted

- Robin Bailey-Chen: Director of Financial Aid & Enrollment Services

C. Financial Aid

- Date of Prior Commission Program Review: N/A
- Branches: Irvine, Westlake Village, Encino and West Los Angeles
- Financial Aid Programs: Federal Family Education Loan Program, Cal Grant A, B and T
- Financial Aid Consultant: N/A

AUDITOR'S REPORT (continued)

OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of our review is to provide the Commission with assurance that the institution adequately administered the Commission programs and their compliance with applicable laws, policies, contracts and institutional agreements as they pertain to the grant programs administered by the Commission.

The review focused on, but was not limited to, the following areas:

- A. General Eligibility
- B. Applicant Eligibility
- C. Fund Disbursement and Refunds
- D. Roster and Reports
- E. File Maintenance and Records Retention
- F. Fiscal Responsibility for Program Funds

The specific objectives of the review were to determine that:

- Administration systems have adequate controls to ensure that grant funds received by the institution are secure.
- Administration systems have adequate controls to ensure that grant payments are accurate, legal and proper.
- Accounting requirements are being followed.

The procedures performed in conducting this review included:

- Evaluating the current administrative procedures through interviews and reviews of student records, forms and procedures.
- Evaluating the current payment procedures through interviews and reviews of student records, forms and procedures.
- Reviewing the records and grant payment transactions from a sample of 9 students who received a total of 7 Cal Grant A awards and 2 Cal Grant B awards within the review period. The program review sample was selected to include all students awarded.

The review scope was limited to planning and performing procedures to obtain reasonable assurance that Commission grant funds were administered according to the applicable laws, policies, contracts and institutional agreements. Accordingly, transactions were examined on a test basis to determine whether grant funds were expended in an eligible manner. The auditor considered the institution's management controls only to the extent necessary to plan the review.

AUDITOR'S REPORT (continued)

**OBJECTIVES,
SCOPE AND
METHODOLOGY
(continued)**

This report is written using the exception-reporting format, which excludes the positive aspects of the institution's administration of the California grant programs.

The names and social security numbers of the sample of students reviewed have been excluded from the body of this report and have been replaced by identifying numbers. Attachment A is a listing of the students by name, social security number and grant type.

CONCLUSION

In conclusion, except for the deficiencies cited in the Findings and Required Actions section of this report, the institution administrated the Commission grant programs in accordance with the applicable laws, policies, contracts and institutional agreements as they pertain to the Commissions grant programs.

**VIEWS OF
RESPONSIBLE
OFFICIALS**

The review was discussed with agency representatives in an exit conference held on May 17, 2005.

May 17, 2005

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

B. APPLICANT
ELIGIBILITY:

FINDING 1: Cal Grant Recipient Not Eligible for Award

A review of 9 student files revealed one new Cal Grant B recipient obtained a Bachelor's degree in July 2003.

DISCUSSION:

New Cal Grant recipients must be enrolled in a program leading to an undergraduate degree, certificate or first professional degree and cannot have a bachelor's or professional degree before receiving their initial Cal Grant. In the case of teaching credential programs, students enrolled in a qualified teaching credential program may be eligible to **renew** their existing Cal Grant A or B award for an additional year after receiving their bachelor's degree. Teaching Credential Program (TCP) participants must continue to meet Cal Grant A or B program requirements and demonstrate financial need. This is a benefit extension to an existing Cal Grant program award only.

Student No. 8 was selected as a new Cal Grant B recipient for the 2003-04 award year and received a total of \$11,258 for the award year. College History documents, however, show the student received a Bachelor's degree in July 2003. Because the student obtained a Bachelor's degree before the 2003-04 Cal Grant award year, the student was not eligible to receive any funds. The ineligible amount of \$11,258 must be returned to the Commission.

REFERENCES:

California Education Code 69532(b)
Institutional Participation Agreement, Article IV A
Cal Grant Manual, June 1997, Chapter 2, pages 2-6
Cal Grant Manual, September 2003, Chapter 3, pages 1 and 3

REQUIRED ACTION:

The institution returned the \$11,258 (Check No. 25-138938 dated 6/8/05) for student No. 8. The institution must submit policies and procedures to ensure that students meet all Cal Grant eligibility requirements prior to fund disbursement.

AUDITOR RESPONSE:

The institution submitted procedures to ensure that students meet all Cal Grant eligibility requirements prior to fund disbursement. This action is deemed acceptable and no further action is required.

FINDINGS AND REQUIRED ACTIONS (continued)

B. APPLICANT
ELIGIBILITY:

FINDING 2: Cal Grant Recipient Overawarded Due to Insufficient Unmet Need

A review of 9 student files disclosed one student received Cal Grant funds in excess of their unmet need.

DISCUSSION:

Financial need is simply defined as the difference between the student's cost of attendance (COA), the family's expected contribution (EFC) and other aid the student receives, known as *resources* under the Campus-based programs or as *estimated financial assistance (EFA)* under the Stafford programs.

For Cal Grant purposes and Campus-based aid (excluding Pell) all resources must be taken into account when awarding. The total of the student's EFC, resources and Campus-based aid cannot exceed the student's cost of attendance. If this occurs, aid must be reduced to prevent an overaward. Unsubsidized Stafford, PLUS, and state and private education loans are not considered to be resources to the extent that they finance (or replace) the EFC. Thus, students may borrow under these programs **up to the amount of the EFC** without affecting eligibility for Campus-based aid or a subsidized Stafford Loan.

Resources include Pell eligibility (even if student doesn't apply for Pell), Direct and FFEL loans, other education loans, veterans benefits, grants, tuition and fee waivers, scholarships, fellowships, assistantships, and net earnings from need-based employment that will be received during the award year.

Student No. 5 appears to have been overawarded as follows:

Spring/Summer 2004 Need Analysis	
Cost of Attendance	\$15,855
Less EFC	<\$1,929>
Less Subsidized Loan	<\$8,500>
Less Unsubsidized Loan	<\$5,327>
Less GSEP Colleagues Grant	<\$2,000>
Add Unsub to Replace EFC	<u>\$1,929</u>
Cal Grant Unmet Need	\$28
Less Actual Cal Grant Award	<u><\$4,660></u>
Overaward	\$4,632

FINDINGS AND REQUIRED ACTIONS (continued)

REFERENCES:

Institutional Participation Agreement, Article IV.C.4
Cal Grant Manual, June 1997, Chapter 5, Page 5-22
Cal Grant Manual, June 1997, Chapter 9, Page 9-7
Cal Grant Manual, September 2003, Chapter 3, Page 3
Cal Grant Manual, September 2003, Chapter 5,
2003-04 Federal Student Aid Handbook, Volume 1, Student Eligibility,
Chapter 7, Pages 117, 122-124

REQUIRED ACTION:

The institution will return \$4,632 to repay the unsubsidized loan and must provide documentation that the funds have been returned for the loan. The institution must also submit the policies and procedures to ensure that all Cal Grant recipients have sufficient need prior to disbursement.

AUDITOR RESPONSE:

The institution repaid the student unsubsidized loan in the amount of \$4,632 and submitted procedures to ensure that all Cal Grant recipients have sufficient need prior to disbursement. This action is deemed acceptable and no further action is required.

B. APPLICANT ELIGIBILITY:

FINDING 3: Renewal Recipients' Cal Grant Unmet Needs Could Not Be Reconstructed

A review of 8 renewal Cal Grant student files disclosed 2 cases where the reported unmet need could not be reconstructed.

DISCUSSION:

For renewal students, schools must calculate a student's annual unmet need as a full-time student and report that figure to the Commission, retaining the supporting documentation within the student's record. Schools may use the Commission's annually established student expense budget or the school may adopt its own student budget for determining renewal financial eligibility provided the budgets do not exceed those used for campus-administered aid. The school must report the resulting net unmet need amount on the Grant Roster or the Commission G-21 letter. Net unmet need is defined as a student's budget minus the Expected Family Contribution (EFC) and Pell grant.

Students No. 6 and 9 both had reported unmet needs of \$29,305. This amount could not be reconstructed from the students' files.

FINDINGS AND REQUIRED ACTIONS (continued)

REFERENCES:

Higher Education Act, Part F – Need Analysis
Cal Grant Manual, June 1997, Chapter 4, page 4-3
Cal Grant Manual, June 1997, Chapter 5, pages 5-2, 5-8, 5-15 and 5-16
Cal Grant Manual, November 2003, Chapter 6, pages 3-4

REQUIRED ACTION:

Although no liability resulted due to the institution's high cost of attendance and need, the institution must submit in response to this report, the procedures implemented to ensure that the reported unmet need reflects the recipient's **annual need as a full-time student** for the award year.

AUDITOR RESPONSE:

The institution submitted procedures that ensure reported unmet need reflects the recipient's annual need as a full-time student for the award year. This action is deemed acceptable and no further action is required.

ATTACHMENT A - STUDENT SAMPLE

<i>ID</i>	<i>Student Name</i>	<i>Program & E/C</i>	<i>New/Renewal</i>
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